

VZCZCXYZ0002
RR RUEHWEB

DE RUEHMU #2453/01 3072026
ZNR UUUUU ZZH
R 032026Z NOV 06
FM AMEMBASSY MANAGUA
TO RUEHC/SECSTATE WASHDC 8126
INFO RUEHZA/WHA CENTRAL AMERICAN COLLECTIVE
RUEHBO/AMEMBASSY BOGOTA 1472
RUEHCV/AMEMBASSY CARACAS 0803
RUCPDO/DEPT OF COMMERCE WASHINGTON DC
RHEBAAA/DEPT OF ENERGY WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHINGTON DC
RHEHNSC/NSC WASHINGTON DC

UNCLAS MANAGUA 002453

SIPDIS

SENSITIVE
SIPDIS

STATE FOR WHA/CEN, WHA/AND, WHA/EPSC, AND EB/ESC/IEC

E.O. 12958: N/A

TAGS: [EPET](#) [ECON](#) [PGOV](#) [EINV](#) [NU](#)

SUBJECT: VENEZUELAN DIESEL SALES - NOT MUCH BEEF

REF: CARACAS 3257

11. (SBU) Summary: As of October 24, Venezuela delivered two shipments of diesel fuel to Nicaragua. The first delivery of 84,000 gallons eventually went to mayors for local distribution and sale. Five Managua bus cooperatives agreed to buy the second phantom shipment of 800,000 gallons in exchange for promises of fleet and depot modernization. Neither sale affected local gas prices or brought any immediate benefit to Nicaraguans. Alternativa Bolivariana Petroleos de Nicaragua (Albanic) VP and Managua Mayor Dionisio Marengo spearheaded the operation. Marengo announced many grandiose plans for Albanic's share of the sale proceeds, including extensive social programs, a liquid natural gas plant and a development bank. So far, revenue from the diesel sales has not matched these plans; the effort has come off as a botched attempt to pump up the FSLN before the elections. End Summary.

What has and has not been sent

12. (SBU) On October 7, after almost a year of hype, Venezuela delivered its first shipment of 84,000 gallons of diesel to Nicaragua's Rama port on the Atlantic coast. It arrived with much fanfare and celebration, but was significantly less than the 250,000 gallons promised. A lack of storage facilities resulted in the diesel being loaded onto 11 tanker trucks and driven to Managua where it sat for a week. A second shipment of 800,000 gallons of diesel reportedly arrived on October 24 and was stored in tanks near Puerto Sandino on the Pacific coast. However, National Ports Director Alejandro Fiallos repeatedly denied that this quantity of fuel had arrived via any Nicaraguan port. October 26 press reports claimed the fuel came directly into Petroleos de Nicaragua's (Petronic) the national oil company) port and storage tanks, but sources inside the company deny this. To date, no one has seen or claimed to have received this diesel shipment. A promised shipment of 350,000 barrels of bunker fuel for electricity generators was "cancelled" on October 10 because of the lack of storage and transportation facilities. There is no set date or announcement of a third shipment of diesel.

(Comment: This lack of consistency in the shipments makes the Venezuelan fuel an unreliable alternative for consumers. End Comment.)

Who is running the operation?

13. (U) An entity known as Alternativa Bolivariana Petroleos de Nicaragua (Albanic) handles all fuel deliveries and sales. Albanic was created by an agreement between the Association of Municipalities of Nicaragua (Amunic) made up mostly of FSLN mayors) and Petroleos de Venezuela's (PDVSA) affiliate PetroCaribe. Managua's FSLN mayor and VP of Albanic Dionisio Marengo spearheaded the delivery and sales efforts. So far, Albanic has no operating capital or offices, intending to use revenues from the sale of the fuel to set up formal operations. Albanic will pay PetroCaribe 60% of the sales revenue at the time of the sale and the other 40% in 25 years. During these 25 years, the 40% residual will be used for social programs run by Albanic.

So who bought it?

14. (U) The first shipment of 84,000 gallons of diesel was originally intended for the bus transportation union, on the condition that it lower bus fares from 3 cordobas to 2.50 (the current exchange rate is 17.90 cordobas to one USD). The union turned down the offer, saying it would only cover 3 days of fuel needs and therefore did not justify lowering the fares. (Note: The bus transportation union reports consumption at 600,000 gallons a month. End note.) Marengo then tried to sell the diesel to ENEL (the state-owned electricity generating company). But ENEL President Frank Kelly said a quick purchase could not take place as the fuel had to be tested for quality and ENEL had to honor existing longer-term contracts with Esso restricting outside fuel purchases. Kelly added that the small quantity of diesel would only produce 40 hours of electricity, about 10 days worth of peak-hour operations.

15. (SBU) Finally, late on October 11, Marengo sold the 84,000 gallons of diesel to several local municipalities, including Matagalpa, Masaya, and Jinotega. Although the fuel was originally offered for USD 200,000, Albanic earned USD 225,000 from the sale. Thus, the mayors paid 12.93 cordobas per liter for fuel that it resold to local gasoline stations in the municipalities. The average price of diesel on October 15 in Nicaragua was 12.95 cordobas per liter. (Comment: After taxes, transportation costs and the mark-up are added, the final sale price of the diesel was not any different from market price. Falling international oil prices also limited Albanic's ability to offer a competitive price. End comment.) The whole drama was covered extensively by the Nicaraguan press.

16. (SBU) In contrast, the second alleged shipment arrived with almost no press coverage and shrouded in mystery. Marengo claims to have negotiated with Petronic for the purchase, storage, and resale of diesel from PetroCaribe/PDVSA. A source inside Petronic, however, stated that while there were talks between the two companies, Petronic has no deal with Albanic and is not storing any fuel for them. The only headline the second shipment received was on October 27 when five major Managua bus transportation cooperatives signed an agreement to buy the diesel and reduce bus fares by 50 cents. The deal did not receive support from the bus transportation union and no one disclosed the sale price. According to the Managua Transportation Regulator Francisco Alvarado, an FSLN member, the price was high enough to allow Albanic to replace the fleet of buses in Managua, improve service and modernize the terminals. Since this announcement, there has been no mention of Albanic or the diesel anywhere in the press. (Comment: Albanic's consistency issues limits its ability to establish the permanent contracts necessary to "get business going." End comment.)

Albanic,s Plans

17. (U) Long a trumpeter of the "positive" role Venezuelan oil could play in Nicaragua, Daniel Ortega did not try to hide his role in Albanic's efforts when the first shipment arrived on October 7. Defying security regulations, Ortega, Marengo, and 200 supporters entered Puerto Rama to "receive the fuel."

As the sale of the diesel stalled, Ortega disappeared from this story, leaving Marenco as the front man. Mayors who are members of Albanic, and purchased the first shipment of diesel, initially participated in the PR effort by explaining how the diesel would make a difference in their municipalities. After the October 11 sale, however, there was little talk of who benefited from the "cheaper" fuel and how.

18. (U) In the interim between the two shipments, Marenco announced several grandiose plans for the use of Albanic's 40% share of the income. Social improvement plans included fixing Managua roads and parks, building houses and artisinal wells, subsidizing the "Clean Neighborhood" campaign, offering free clinics and distributing free medicine, and creating a scholarship fund for young people from disadvantaged neighborhoods.

19. (U) Marenco also announced ambitious "development" projects such as building a liquid natural gas plant as part of a larger project to include receiving terminals on the Atlantic and Pacific coasts. Marenco claimed Albanic would open its own gas stations, since a station was forced to close because it stored Albanic diesel without permission from its franchise owner. Albanic's shares of the oil sales were also supposed to provide the USD 600 million in capital needed to create a development bank (Bandes) that would service all of Central America. Bandes would replace the Japanese Government in financing the new bus fleet Albanic promised the transportation cooperatives.

Comment

10 (SBU) At this stage, Albanic has only earned USD 90,000 from the first shipment and, if it exists and was sold at the same price, USD 857,000 from the second shipment. These revenues are far from the USD 600 million needed to capitalize the development bank, let alone engage in all of the other business projects. Marenco's promises require large and consistent shipments of fuel to establish a customer base and cash flow, something not happening now. The shipments have not affected fuel prices in Nicaragua. As stated in para 5, the first shipment was small and sold at a price that was no lower than regular shipments. The secrecy surrounding the arrival, location, and sale price of the alleged second shipment suggests that it would result in no real savings either. The reduced bus fares and the promised fleet modernization were merely publicity ploys by Marenco to support an image that Albanic and the Venezuelan fuel are really going to help average Nicaraguans. It is clear at this stage that Albanic and its activities are designed more to promote the FSLN in the final days before the election, than to help Nicaraguans or engage in any productive social activities. The silence from Marenco and Albanic since the second shipment was "sold," strongly indicates that it has been a failed one at that. End Comment.

TRIVELLI